

Message Text

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PAGE 01 OTTAWA 01422 212326Z
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SUBJECT: 1977 CANADIAN AUTO TRADE DEFICIT WITH U.S.

REF: TORONTO 437

1. SUMMARY. CANADIAN AUTO TRADE DEFICIT WITH U.S. INCREASED SLIGHTLY TO CDOLS 1.1 BILLION IN 1977 ACCORDING TO STATISTICS PUBLISHED BY GOC, AS LARGER DEFICIT ON PARTS TRADE OFFSET INCREASED SURPLUS ON ASSEMBLED VEHICLES. POLITICAL OPPOSITION CHARGED GOC WITH INACTION IN FACE OF GROWING AUTO TRADE DEFICIT AND ALLEGED THAT CLOSING OF CHRYSLER PLANT IN WINDSOR, ONTARIO WOULD RESULT IN LOSS OF 800 JOBS. IN FACT, THERE ARE TO BE NO LAYOFFS, BUT ABOUT 400 JOBS WILL BE VACATED BY NORMAL ATTRITION. END SUMMARY.
2. STATISTICS CANADA RELEASE ON 1977 AUTO TRADE WITH U.S. SHOWS VALUE OF CANADIAN BILATERAL DEFICIT IN TOTAL AUTO TRADE AS DOLS 1,087 MILLION, UP SLIGHTLY FROM DOLS 1,001 MILLION IN 1976, BUT FAR BELOW THE DOLS 1,919 CANADIAN DEFICIT IN 1975. STATCAN FIGURES FOR CANADIAN EXPORTS ARE DERIVED FROM COUNTERPART U.S. STATISTICS ON IMPORTS, WHILE CANADIAN DATA IS USED FOR FIGURES ON CANADIAN IMPORTS.

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PAGE 02 OTTAWA 01422 212326Z

3. TOTAL U.S. IMPORTS OF AUTOMOTIVE PRODUCTS FROM CANADA ROSE BY DOLS 1,982 MILLION TO DOLS 9,861 MILLION. TOTAL CANADIAN IMPORTS FROM THE U.S. ROSE DOLS 2,068 MILLION TO DOLS 10,948 MILLION (TOPPING DOLS 10 BILLION FOR THE FIRST TIME).
4. THE INCREASE IN THE BILATERAL CANADIAN DEFICIT IN AUTO

PARTS OF DOLS 594 MILLION IN 1977 WAS ALMOST FULLY OFFSET BY THE INCREASE IN THE CANADIAN SURPLUS IN ASSEMBLED VEHICLES OF DOLS 565 MILLION.THERE WAS A NET DETERIORATION OF DOLS 57 MILLION IN CANADIAN TRADE BALANCE IN TIRES & TUBES.

5. CANADIAN PARTS IMPORTS WENT UP BY DOLS 1,373 MILLION TO DOLS 6,847 MILLION, AND PARTS EXPORTS ROSE BY DOLS 779 MILLION TO 3,721 MILLION FOR A TOTAL PARTS DEFICIT OF DOLS 3,126 MILLION. THE CANADIAN SURPLUS IN ASSEMBLED CARS ROSE 98 MILLION TO DOLS 1,207 MILLION, WHILE THE BILATERAL CANADIAN TRADE SURPLUS WITH THE U.S. IN TRUCKS AND OTHER COMMERCIAL VEHICLES INCREASED BY DOLS 467 MILLION TO DOLS 841 MILLION. TRADE IN TIRES AND TUBES WENT FROM A SURPLUS OF 48 MILLION IN 1976 (LARGELY DUE TO THE U.S. RUBBER STRIKE THAT YEAR) TO A DEFICIT IN 1977 OF DOLS 9 MILLION.

6. POLITICAL OPPOSITION CHARGED GOC WITH INACTION IN FACE OF GROWING AUTO TRADE DEFICIT. OPPOSITION CITED PROSPECTIVE CLOSING OF CHRYSLER TRUCK ASSEMBLY PLANT IN WINDSOR, ONTARIO AS SPECIFIC EXAMPLE OF THEIR CONCERN, NOTING THAT CLOSING WOULD RESULT IN LOSS OF 800 JOBS.

7. SPOKESMAN FOR CHRYSLER SAID THAT WORK FORCE AFFECTED BY TERMINATION OF TRUCK ASSEMBLY ACTIVITY WOULD BE REABSORBED AND/OR REDUCED THROUGH ATTRITION. INDUSTRY,TRADE LIMITED OFFICIAL USE

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PAGE 03 OTTAWA 01422 212326Z

& COMMERCE (IT&C) OFFICIAL, WHO HAD RECENTLY RETURNED FROM TALKS WITH CHRYSLER IN WINDSOR, TOLD EMBOFF THAT CHRYSLER'S PUBLIC STATEMENT WAS ACCURATE REFLECTION OF COMPANY'S PLANS AND ADDED THAT CHARGES MADE BY POLITICAL OPPOSITION WERE OVERBLOWN. OFFICIAL NOTED THAT WINDSOR PLANT, ORIGINALLY DESIGNED TO PRODUCE MEDIUM DUTY TRUCKS, WAS OLD (BUILT IN 1916) AND INEFFICIENT. MOREOVER, CHRYSLER'S RECENT EFFORT TO RETOOL PLANT (AT COST OF CDOLS 4 MILLION) TO PRODUCE LIGHT TRUCKS WAS UNSUCCESSFUL. THUS, DECISION WAS MADE TO TERMINATE TRUCK ASSEMBLY AT PLANT IN JULY, 1978. HOWEVER, OFFICIAL POINTED OUT THAT CHRYSLER HAD FOUND THAT PRODUCTION OF SUB-ASSEMBLIES FOR VANS COULD BE ECONOMICALLY VIABLE AT OLD PLANT. SUCH NEW ACTIVITY, TOGETHER PLANT (WHICH WILL TAKE OVER LIGHT TRUCK ASSEMBLY FROM OLD PLANT) WOULD REABSORB 350 OF WORK FORCE AFFECTED BY PHASE-OUT OF TRUCK ASSEMBLY OPERATION. (IT&C NOW PUTS NUMBER OF WORKERS AFFECTED BY TERMINATION AT 750, OPPOSED TO 800 INITIALLY ESTIMATED.) REMAINING LABOR SURPLUS (400 WORKERS) TO BE ELIMINATED THROUGH ATTRITION BY END OF THIS YEAR, RATHER THAN THROUGH OUTRIGHT LAYOFFS.

8. OFFICIAL INDICATED THAT CHRYSLER'S ASSESSMENT THAT 400

WORKERS COULD BE ELIMINATED THROUGH ATTRITION BY YEAR END
WAS REALISTIC. TURNOVER IS HIGH AND 400 WORKERS REPRESENT
ONLY 3 PERCENT OF TOTAL LABOR FORCE AT ITS WINDSOR PLANTS.
ENDERS

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